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EEB FOR A/S SULLIVAN
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TAGS: ENRG EPET TU
SUBJECT: TURKEY'S 2008 ENERGY SECTOR PRIORITIES

REF: A. ANKARA 2755
 1B. BAKU 1483
 1C. BAKU 1292
 1D. ISTANBUL 1014

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11. (U) This is an action request. See para 5.

12. (SBU) Summary. Energy Minister Guler told the Ambassador December 28 that energy issues will continue to play a central role in the GOT's domestic and foreign policy agendas for 2008. Guler noted three main priorities: 1) expanded investment in the energy sector (to include privatization of electricity distribution and generation assets); 2) reduction of reliance on Russia through the development of nuclear power, acceleration of investment in Iraqi gas and expedition of Turkey's efforts on Nabucco; and 3) implementation of energy efficient measures. Referring to Russia's recent deal with Turkmenistan and Kazakhstan for a Tri-Caspian pipeline, Guler expressed dismay that Russia is "scoring all the goals." Guler said new ideas and new approaches are needed to move forward our vision for Caspian energy development. Lastly, Guler requested we share information on energy efficiency and Turkey's oil, gas and geothermal potential. End summary.

Expanding Investment in the Energy Sector

13. (SBU) In a December 28 meeting with the Ambassador, Guler reaffirmed that privatization of Turkey's electricity assets is on the agenda for 2008. In addition to restarting a stalled tender process put on hold by July 2007 parliamentary elections, Guler said that electricity generation assets would also be sold. In order to expedite preparation, the Ministry of Energy and Natural Resources (MENR) will directly implement the tender rather than transfer the process to the State Privatization Agency. (Comment: The sale of Turk Telecom proceeded on similar grounds without the involvement

of the Privatization Agency.) The Ambassador commented that offering both generation and distribution assets would likely increase bidder interest.

Reducing Reliance on Russia

¶4. (SBU) The centerpiece of Turkey's strategy to reduce dependence on Russia is to diversify its energy mix away from natural gas. Currently, electricity is produced by three main sources: natural gas (46%), hydroelectric dams (25%), and coal (22%) with the balance from renewables and other sources. Guler said Turkey will encourage investment in hydro, wind and geothermal resources. In addition, Turkey is on a fast-track to develop nuclear power (ref A) and will offer the first tender in late February. Guler stressed that our energy diplomacy needs to be reinvigorated by new ideas and new solutions. He said one idea might be moving up the timeline to build a gas pipeline from Iraq that would twin the existing oil pipeline from Kirkuk to Yumurtalik in Turkey (outlet to the Mediterranean). Ambassador noted accelerated investment in Iraq's gas sector would be good for the world's energy balance, as well as for Turkey and Iraq. Ambassador added that 2008 is the time to make a breakthrough on some long-standing projects, particularly, the transit of Azerbaijani gas through Turkey for the Turkey-Greece-Italy interconnector. Guler said the Italian Energy Minister had invited him to the quadrilateral talks on this issue set to begin in January (ref B) and he planned to attend. Ambassador said if this agreement can be pushed forward, it would alter facts on the ground that would affect how Russia markets gas to Europe. Lastly, Guler noted that Turkey would expedite its commitments to Nabucco and that new appointments to the BOTAS (State-owned pipeline company) board would be finalized soon. (Comment: With the new appointments, the BOTAS board will have a quorum which will likely vote in favor of the German company RWE's joining the Nabucco consortium. ref C)

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¶5. (SBU) Action request: Following up on a request he made to U.S. Energy Secretary Bodman (ref D), Guler again asked for an exchange of information on energy efficiency. He said the GOT would kick off a public campaign on energy efficiency in 2008 and thought the potential for energy savings could have as much impact as new investment in the sector. (Note: DOE will host a Clean Energy Technologies Workshop in Istanbul January 29-30, which will also include some expert-level discussions with MENR's energy efficiency directorate, EIE. Guler also appears interested in policy level discussions and is soliciting U.S. experience in putting into place policies to encourage energy efficiency.) Guler made one additional request for U.S. assistance; he asked whether we could share any data or satellite information on Turkey's oil and gas reserves or geothermal energy potential. He said he would like to use such data to attract foreign investment. Ambassador said we would take both requests back to Washington. Post appreciates Washington's assistance in responding to Guler's requests. Embassy contact for this issue is economic officer Rebecca Neff.

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